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STATE FOR NEA/ARP, EEB/IFD/OMA
TREASURY FOR OTA VALVO

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TAGS: [EFIN](#) [ECON](#) [MU](#)
SUBJECT: OMAN CONTINUES TO KEEP ISLAMIC BANKING AT ARM'S
LENGTH

Classified By: CDA Alfred F. Fonteneau, reasons 1.4 b and d

[¶1.](#) (U) On June 28, Arabic-language daily "al-Shabiba" retracted a news article that Bank Muscat, the nation's largest, was preparing to offer the first type of loans in Oman to be compliant with Islamic Shari'a law. The paper had mistakenly reported on June 25 that the bank would offer such loans in efforts to encourage Omanis to keep their savings inside Oman, rather than opening Shari'a-compliant accounts in neighboring countries. In the retraction, Bank Muscat voiced its adherence to Central Bank of Oman (CBO) regulations.

[¶2.](#) (C) Mansour al-Raisi, Banking Examination Manager for the CBO, confirmed to Econoff on June 28 that Islamic banking remained off-limits in Oman. He reiterated the position taken by CBO Executive President Hamoud bin Sangour al-Zadjali that institutions are using "Islamic banking" as a marketing ploy to attract more customers. (Note: Zadjali most recently stated his opposition to Islamic banking in a July 3 interview with London-based "al-Sharq al-Awsat," though left open the possibility of reconsidering this decision. End Note.) However, Raisi predicted that, with rising interest in Oman for Islamic financial products, the CBO would eventually change course and permit Islamic banking in the Sultanate.

[¶3.](#) (C) Comment. During the April 2008 Oman Economic Forum, attendees overwhelmingly cheered when an Omani participant stated his enthusiasm for Islamic financial products and asked the CBO Executive President for a timeframe on their introduction in the Sultanate. When Zadjali replied that Islamic banking would not be permitted over the near-term, absolute silence ensued. With rising domestic interest in Shari'a-compliant products, it appears to be only a matter of time before the CBO permits commercial banks to offer such services. End Comment.

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